

Report to Joint Appropriations Subcommittee on Natural Resources and Transportation

Credit Card Fees – Montana Department of Transportation

Background:

MDT accepts credit cards as a normal course of business for services provided to customers, the most common transactions being licensing and permitting (GVW and International Registration Plan), and tax payments (International Fuel Tax Administration and Special Fuel Users). Due to the growing usage of credit cards as an alternative to cash or checks, the associated fees charged to the Department by the credit card companies has also increased. For several biennia, the Department has included a request in the executive budget to increase the budget authority to pay for these credit card fees.

The 2009 legislature approved the agency's request as a one-time-only appropriation and directed the agency to report back on alternatives or attempts to minimize similar cost increases in the future.

Reductions to the credit card fees can be accomplished in two ways:

- 1) Changing the rates associated with each transaction
- 2) Reducing the number of transactions processed.

MDT has looked into both of these possibilities.

Changing the rates associated with each transaction

The fees and rates charged by the credit card companies are negotiated periodically through statewide contracts at the Department of Administration. When these negotiations take place there may be opportunities to lower rates although negotiations were not conducted during the current biennium.

Reducing the number of transactions processed

Using credit cards has become the payment method of our customers because they are more convenient, more immediate, and more secure form of payment than cash or check. MDT predicts that usage will continue to grow as more permits are issued and even more customers capitalize on the convenience of credit cards.

Debit cards, however, do not have the merchant fees. Decision Package 2201 in the Motor Carriers Services Program includes funding from a Federal Grant to make the necessary changes to Department systems to allow us to accept debit cards.

MDT will continue to look at other options to reduce these fees without adverse impact to our customers.